

*United States Court of Appeals
for the Second Circuit*



**APPELLEE'S REPLY
BRIEF**

76-3017

United States Court of Appeals FOR THE SECOND CIRCUIT

Docket No. 76-3017

XEROX CORPORATION,

Defendant-Appellant,

against

SCM CORPORATION,

Plaintiff-Appellee.

Appeal from an Order of the United States District Court for the District of Connecticut entered February 4, 1976, and reaffirmed March 9, 1976

Docket No. 76-7131

XEROX CORPORATION,

Petitioner,

against

HON. JON O. NEWMAN, Judge of the United States District Court for the District of Connecticut, and SCM CORPORATION,

Respondents.

Petition for Writ of Mandamus Pursuant to 28 U.S.C. § 1651 and Fed.R.App.P. 21

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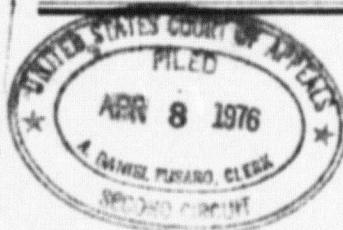
SCM'S REPLY ON ITS MOTION TO DISMISS THE APPEAL

SCM'S RESPONSE TO XEROX'S MOTIONS

SCM'S ANSWER TO THE PETITION FOR A WRIT OF MANDAMUS

—AND—

SCM'S BRIEF IN OPPOSITION TO THE PETITION



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Preliminary Statement

Xerox seeks to appeal under 28 U.S.C. § 1291 or, in the alternative, to obtain mandamus under 28 U.S.C. § 1651 with respect to two of the orders contained in Pre-Trial Ruling No. 17 ("PTR 17"), entered in the court below (D. Conn.) on February 4, 1976 by Hon. Jon O. Newman.

The first order, overruling Xerox's claim of attorney-client privilege, directed that answers be given by certain witnesses to six deposition questions concerning communications made during negotiations between Xerox and The Rank Organisation Limited.

The second order directed production of seven documents (consisting of 271 pages) responsive to one SCM document request. The court below, after *in camera* examination of those documents, rejected Xerox's claims of attorney-client and work product privilege. At the same time, the court below upheld Xerox's claim of work product privilege with respect to two other documents responsive to that SCM document request, thus denying production of those documents.

The two orders rejecting Xerox's claims of privilege were reaffirmed in PTR 19 entered on March 9, 1976, which denied Xerox's motion for rehearing. They were

again reaffirmed in PTR 21 entered on March 22, 1976, denying Xerox's motion for certification of an interlocutory appeal under 28 U.S.C. § 1292(b).

In denying such certification, Judge Newman stated and held that:

This litigation is in its third year, and a timetable for trial preparation and trial will shortly be issued. Interlocutory review at this time would cause a substantial delay which I do not believe is warranted. (PTR 21, set forth in SCM's Appendix at p. 35a)

The background of this litigation and the claims asserted by SCM are sufficiently described in this Court's 1974 opinion which affirmed Judge Newman's denial of SCM's motion for a preliminary injunction and, therefore, need not be repeated here. *SCM Corporation v. Xerox Corporation*, 507 F.2d 358 (2d Cir. 1974).

PTR 17, PTR 19, PTR 21, and the supplemental PTR 22 entered on March 29, 1976, are not yet officially reported. Their texts are set forth in SCM's printed Appendix at 1a-18a, 19a-32a, 33a-36a, 37a-38a, respectively.

On March 26, 1976 this Court granted a stay of Xerox's compliance with the pertinent portions of PTR 17 pending determinations of its applications here. This further extended the three stays obtained by Xerox in the court below on February 17, March 12 and March 22, 1976.

For this Court's convenience, this submission on behalf of SCM consolidates the following:

I. SCM's Reply in support of its motion to dismiss the appeal and in opposition to Xerox's brief on that motion (pp. 3-6, *infra*);

II. SCM's Response to Xerox's motions including its opposition to the filing and consideration of the "Affidavit of Rank Counsel" (p. 7, *infra*);

III. SCM's Answer to the petition for a writ of mandamus (pp. 8-12, *infra*);

IV. SCM's Brief in opposition to the petition (pp. 13-28, *infra*); and

V. Conclusion (p. 29, *infra*).

SCM'S REPLY IN SUPPORT OF ITS MOTION TO DISMISS THE APPEAL AND IN OPPOSITION TO XEROX'S BRIEF ON THAT MOTION

SCM moved on March 26, 1976 to dismiss Xerox's attempted appeal under 28 U.S.C. § 1291 because the decisions involved in PTR 17 and 19 do not constitute "final decisions" within the meaning of that statute (41a).

SCM moved to dismiss the appeal from PTR 17 on the further ground that it is time-barred. SCM also moved to dismiss the appeal from PTR 19 on the further ground that no appeal lies from that ruling because it constituted a denial of a motion for rehearing (41a-42a).

On March 30, 1976 Xerox filed a response to SCM's motion to dismiss the appeal ("X. Resp."). However, Xerox's response does not address, nor does it deny, the correctness of SCM's position which is based on the clear authority of this Court cited in SCM's motion that discovery orders overruling claims of privilege and directing the disclosure of information, do not constitute "final decisions" within the meaning of 28 U.S.C. § 1291 (41a).*

* *Shattuck (IBM) v. Hoegl (Xerox)*, 523 F.2d 509 (2d Cir. 1975); *International Business Machines Corp. v. United States*, 480 F.2d 293, 297-299 (2d Cir. 1973) (*en banc*), cert. denied 416 U.S. 979 (1974); *American Express Warehousing, Ltd. v. Transamerica Insurance Co.*, 380 F.2d 277, 280-284 (2d Cir. 1967); *In re Hughes Tool Co.*, No. 27993 (2d Cir. Jan. 23, 1963) (summarily dismissing appeal from a district court order requiring production over a claim of attorney-client privilege).

Indeed, only last year this principle was reaffirmed by this Court when, in a different proceeding, Xerox was unsuccessful in attempting to appeal under 28 U.S.C. § 1291 from discovery orders overruling its claims of privilege and directing disclosure of information in answer to deposition questions and in response to document requests. *Shattuck (IBM) v. Hoegl (Xerox)*, 523 F.2d 509 (2d Cir. 1975). Xerox's treatment of the subject of appealability in its initial brief (X. Br. pp. 46-53) fails to deal with this recent authority in which it was one of the litigants, and it also fails in its attempts to distinguish the other prior relevant decisions of this Court.

SCM's motion to dismiss the appeal (40a-43a) and its supporting affidavit (44a-47a) set forth with particularity the grounds, relevant authorities and facts which demonstrate that the appeal should be dismissed. Therefore, no further discussion of the matters involved is warranted here, except to make brief reference to a few points concerning the time-bar issue and the issue of the appealability of the rehearing order which Xerox's response does address. In this regard, Xerox's contentions are without merit and are merely attempts to obscure the issues and relevant authorities involved.

SCM's vigorous, but unsuccessful, opposition to the stays requested and obtained by Xerox in the court below cannot, as Xerox attempts, be transmuted into estoppel of SCM's assertion that Xerox's appeal is time-barred. This is true for the additional reason that Xerox never made a claim in the court below that its motions were sought under Rules 50(b), 52(b) or 59 of the F.R.C.P.

Xerox's Response to SCM's motion to dismiss the appeal cites *Wolfsohn v. Hankin*, 376 U.S. 203 (1964) (per curiam) reversing 321 F.2d 393 (D.C. Cir. 1963) to support its argument that the court below enlarged the 10 day period for a timely filing under Rules 50(b), 52(b) or 59 of F.R.C.P., and that, therefore, the 30 day period for

appeal runs from the denial of the motion for rehearing (X. Resp. p. 5). The *Wolfsohn* decision, and *Harris Truck Lines, Inc. v. Cherry Meat Packers, Inc.*, 371 U.S. 215 (1962) and *Thompson v. Immigration and Naturalization Service*, 375 U.S. 384 (1964) cited in *Wolfsohn*, involve factual situations which are totally inapposite to those of this proceeding.

These cases carved out, in view of the "unique circumstances" presented, a narrow exception to the prohibition of Rule 6(b) of F.R.C.P. against any enlargement of the 10 day period within which a motion under Rules 50(b), 52(b) or 59 may be made. This narrow exception exists only where "a party is misled by the words or conduct of the district court into believing that he need not then appeal". 9 Moore, *Federal Practice*, ¶ 204.12[2] at p. 958 (1975). Only in such circumstances, as Professor Moore has correctly described the decisions on which Xerox relies, the party "ought not lose his right to appeal by reason of the mistake of the district court." (*Ibid.*)

Xerox can make no such claims. In its February 13, 1976 letter to the court below applying only for a stay of compliance with PTR 17, Xerox stated as follows: "We are studying the ruling carefully and doing further research, having in mind the possibility that we may wish to move for a rehearing or, perhaps, seek an interlocutory appeal. Our analysis in this respect is not complete." (50a). No action by the court below either prevented Xerox from filing a notice of appeal within 30 days of the issuance of PTR 17 or misled it into believing that it need not do so. In *American Express Warehousing Ltd. v. Transamerica Insurance Co.*, 380 F.2d 277, 280 n. 5 (2d Cir. 1967) the putative appellant, unlike Xerox here, avoided the time bar by filing its notice of appeal within 30 days of the original decision—while its motion for rehearing was pending in the lower court.

This Court in *Vine v. Beneficial Finance Co.*, 374 F.2d 627, 632 (2d Cir. 1967), cert. denied, 389 U.S. 970 (1967)

(X. Resp. p. 3) reiterated the requirement of a *timely* petition for rehearing in order to expand the appeal period to 30 days after denial of rehearing. Under the facts present here, a holding that Xerox's motion for rehearing was timely would render the clear requirements of each of Rules 6(b), 50(b), 52(b) and 59 of the F.R.C.P. a nullity.

For the reasons set forth in SCM's motion of March 26, 1976 (40a-42a), and as further elaborated here, the motion to dismiss the appeal should be granted.

SCM'S RESPONSE TO XEROX'S MOTIONS, INCLUDING ITS OPPOSITION TO THE FILING AND CONSIDERATION OF THE "AFFIDAVIT OF RANK COUNSEL"

Xerox moved on March 25, 1976 for various items of relief in connection with its prosecution of the attempted appeal and the petition for a writ of mandamus, as specifically described in seven subparagraphs of its motion. Some of those items will become moot if, as SCM has urged, its motion to dismiss the appeal is granted.

SCM opposes only so much of subparagraph 6 of Xerox's motion which seeks an order of this Court permitting Xerox to file *in camera* the "Affidavit of Rank Counsel". Xerox, in support of its motion for rehearing, and without the direction or permission of the court below, made an *ex parte* submission of that affidavit to the court for its *in camera* inspection.

On the facts, reasons and authorities set forth in SCM's counsel's March 25, 1976 letter to this Court concerning this subject (52a-55a), Xerox's request for permission to file this Affidavit of Rank Counsel should be denied.

SCM'S ANSWER TO THE PETITION FOR A WRIT OF MANDAMUS

Xerox's petition for a writ of mandamus (set forth in its 59-page "Brief on Appeal and Petition for Writ of Mandamus") should be dismissed.

In PTR 17 and PTR 22 the lower court ruled on a substantial number of Xerox's assertions of attorney-client or work product privilege with respect to numerous deposition questions and document requests, upholding a number of Xerox's claims and rejecting a number. As previously noted, Xerox's mandamus petition is directed to two of the orders contained in PTR 17, which were affirmed in PTR 19 and reaffirmed in PTR 21.

A.

The first of those orders rejected Xerox's assertions of the attorney-client privilege with respect to six deposition questions and directed that those questions be answered (PTR 17, 1a-4a, 14a; PTR 19, 27a-29a; PTR 21, 34a-35a). These questions concern communications made during the course of protracted arms-length negotiations between Xerox and The Rank Organisation Limited which led to a 1969 agreement between them. Prior to the 1969 agreement, Xerox and The Rank Organisation each owned a 50% stock interest in Rank Xerox, Ltd. Pursuant to the 1969 agreement, Xerox paid \$20 million to The Rank Organisation to purchase from Rank 1% of the stock of Rank Xerox. Xerox thereby achieved its objective of securing "voting and managerial control" over Rank Xerox.

The communications by Xerox to The Rank Organisation included a disclosure of legal advice which Xerox lawyers had given to Xerox's management. In 1968 Xerox's Chairman of the Board and President disclosed to

the directors of The Rank Organisation that by reason of that legal advice Xerox was compelled to seek control over Rank Xerox.

Xerox argues that the communications in the course of the bargaining between Xerox and The Rank Organisation in 1968-1969 are covered by a "common interest" exception to the well-established rule that the privilege is lost when otherwise protected communications are disclosed to a third party. While agreeing with Xerox that such an exception exists, and after considering the relevant facts, Judge Newman found Xerox had failed to prove that these Xerox-Rank Organisation communications were privileged under the "common interest" exception. Thus, as is clear in PTR 17 (1a-4a) and PTR 19 (27a-29a), and as he expressly stated in PTR 21 (34a-35a), his rulings directing the answers to the six deposition questions involved "solely a question of whether adequate facts have been presented to satisfy a legal standard not disputed by the parties".

In effect, Xerox concedes—as it must—that this ruling does not constitute any "usurpation of power" or "clear abuse of discretion". It attempts, however, to fit this issue under the only remaining touchstone for mandamus by asserting that Judge Newman's ruling presents a question "of first impression in this Circuit" (X. Br. p. 4). Xerox itself refutes that contention when it later asserts that Judge Newman "accepted the well-settled principle that the attorney-client privilege permits parties to consult in matters of common interest without losing the privilege's protection" (X. Br. p. 13).

Indeed, Judge Newman also applied the same principle to the facts presented concerning various communications between Xerox and Battelle, to overrule two of Xerox's assertions of privilege as to which it has not sought appeal or mandamus, and to *sustain* four of Xerox's assertions of privilege based on this "common interest" exception. (PTR 17, 4a-6a; PTR 22, 37a).

As we discuss more fully below, there is no basis for Xerox's various claims that it will suffer irreparable injury if Judge Newman's rulings are erroneous, and if mandamus review is denied. It is enough at this juncture to point out that this Court has repeatedly held that possibly erroneous orders by lower courts compelling pre-trial disclosures of allegedly privileged information do not have the attribute of "finality" for purposes of appeal under 28 U.S.C. § 1291. Therefore, the disclosure of such information is not a "dire consequence" which supports the more extraordinary remedy of mandamus. That remedy is not needed to protect this Court's jurisdiction since, on appeal from final judgment, this Court may review any claim of error concerning the admission at trial of any allegedly privileged information.

For these reasons, and as more fully discussed below, there is no basis for granting Xerox's petition for a writ of mandamus with respect to the six deposition questions relating to or involving the communications between Xerox and The Rank Organisation Limited.

B.

The second order as to which Xerox seeks mandamus (or reversal on appeal) is Judge Newman's direction that Xerox produce seven documents (consisting of 271 pages) in response to one SCM document request. The court below held that, as to those documents, Xerox had failed to sustain its claims of attorney-client and work product privilege.

Although the contents of these documents, which Judge Newman examined *in camera*, have not yet been disclosed to SCM, Judge Newman has described them as memoranda prepared by attorneys in the Xerox Patent Department which contain much public information, brief descriptions of the patents and what Xerox characterizes as legal opinions regarding patent applicability, including lists of pat-

ents and their commercial uses according to Xerox's Patent Department (PTR 17, 6a-7a, 8a). On the basis of his examination of the many pages of these documents, Judge Newman concluded that the "public information is not protected", that the "technical information is probably discoverable as facts within the knowledge of Xerox"; and that "legal departments are not citadels in which public, business or technical information may be placed to defeat discovery and thereby insure confidentiality". He concluded, therefore, that any legal judgments contained in the documents are not protected by the attorney-client privilege; and are protected, if at all, as work product (7a).

Concerning work product, Judge Newman determined that Xerox had failed to establish that the seven responsive documents at issue were prepared in connection with anticipated or pending litigation, and, therefore, were not protected under the work product privilege. There were two other responsive documents as to which he sustained Xerox's claims of work product privilege protection, after finding that they had been prepared in anticipation of litigation (PTR 17, 7a-9a).

These conclusions concerning the absence of attorney-client or work product privilege with respect to the seven documents were further buttressed in PTR 19, when Judge Newman held, based on his *in camera* inspection of their contents, that these documents did not apply rules of law to "confidential communications received from the client (26a); and that "it does not even appear that the documents were communicated to the client. . . ." (27a)

Judge Newman, therefore, made highly discrete factual determinations based on his *in camera* consideration of these lengthy documents. He overruled the claims of privilege as to seven documents and sustained the claims of privilege as to two documents, applying the principles of law which, with evident scholarship, he clearly articulated. Even Xerox, which challenges the correctness of

Judge Newman's statement of the applicable principles, does not challenge the existence of authority in this Circuit and elsewhere to support those principles.

Thus, Xerox makes no claim that Judge Newman's order directing the production of the seven documents gives rise to any important legal issue of first impression, or that the order constitutes a "usurpation of power" or a "clear abuse of discretion". The most that Xerox can claim is that Judge Newman was in error in exercising his unquestionable discretion in making the determinations involved (X. Br. p. 4, 13-15, 19). As to such claims of error, Xerox has an adequate remedy on appeal after final judgment. The extraordinary writ of mandamus does not lie to challenge in midstream such claimed error, even if—as is not the case—Xerox were correct in its contentions.

For these reasons, and as more fully discussed below, there is no basis for granting Xerox's petition for a writ of mandamus concerning the seven documents at issue.

SCM'S BRIEF IN OPPOSITION TO THE PETITION

Counter-Statement of the Questions Presented

1. Should the petition be granted, and, if so, should mandamus be directed against the court below with respect to its order that six deposition questions be answered because of the failure by the party claiming the privilege to demonstrate factually that the matters involved come within the "common interest" exception to the general rule that the protection of privilege is lost by disclosure of otherwise privileged communications to a third party?

2. Should the petition be granted, and, if so, should mandamus be directed against the court below with respect to its order directing production of seven documents, determined, after *in camera* inspection, not to be subject to protection under the attorney-client or work product privileges?

Statement of the Case

Prior Relevant Proceedings

This private antitrust action seeking legal and equitable relief was commenced on July 31, 1973. During the ensuing discovery proceedings, based on claims of attorney-client and work product privilege, Xerox has directed witnesses examined by SCM not to answer hundreds of questions, and has withheld thousands of documents which admittedly are responsive to various document requests made by SCM.

At chambers conferences on May 1 and May 19, 1975, Judge Newman established a procedure for his determination of a substantial number of different types of privilege claims by Xerox, which determination would also provide guidance in resolving many of the other claims of privilege asserted in this action by both parties.

Accordingly, on May 30, 1975, SCM served its Rule 37 motion to compel answers to 42 deposition questions and two interrogatories, and to compel production of documents responsive to six document requests, as to which Xerox had asserted claims of privilege. SCM and Xerox each submitted supporting memoranda in excess of 150 pages. SCM submitted five large volumes of extracts of deposition testimony, exhibits and other documents. Xerox's submission was even larger. Oral argument was held on June 30, 1975.

There can be no dispute that Judge Newman studied these factual and legal submissions with extraordinary care. PTR 17 was rendered on February 4, 1976. In that decision Judge Newman upheld a number of Xerox's claims of privilege, rejected a number of Xerox's claims, and deferred for further consideration an additional number pending his consideration of certain *in camera* affidavits which he directed be submitted by three witnesses.* On March 29, 1976 PTR 22 was issued in which, based on his *in camera* inspection of the affidavits which had been submitted, Judge Newman sustained Xerox's claims of privilege on eight of the nine deferred rulings.

On March 25, 1976, Xerox filed its petition for writ of mandamus and a notice of appeal. Its motion for rehearing had been filed on February 23, 1976 and denied on March 9th. It presented to Judge Newman on March 12, 1976, a motion for certification of an interlocutory appeal under 28 U.S.C. § 1292(b), which was denied on March 22. In the court below, Xerox obtained three stays of its compliance with the relevant orders contained in PTR 17, and on March 26, 1976 this Court granted Xerox's motion for a stay pending determination of its various applications to this Court.

* Judge Newman directed that Messrs. McCollough, Linowitz and Dessauer submit affidavits concerning answers to specific deposition questions for *in camera* consideration. This did not include, and Judge Newman did not direct or grant permission for the *ex parte* submission by Xerox of the "Affidavit of Rank Counsel" described at page 7, *supra*.

The Facts

A. The Xerox-Rank Organisation Communications.

From the time of the Rank Xerox, Ltd. creation in 1956 until 1969, Xerox and The Rank Organisation Limited, two wholly independent companies, each owned 50% of the voting stock of Rank Xerox. Under the 1956 "Heads of Agreement", Xerox and The Rank Organisation undertook, through the vehicle of Rank Xerox, jointly to exploit xerography throughout the world, except for the United States and Canada (which Xerox reserved to itself). (PX 539A and 636-AH; CPM Tr. 2213, 2218).*

In the years between 1956 and 1969, the 1956 Agreement was modified or amended on a number of occasions, including Xerox's 1963 reacquisition of rights to Latin America and its 1967 reacquisition of rights to Greenland and certain Pacific islands. (PX 634A-D and 635A-B; CPM Tr. 2168-73).

In the spring of 1968 Xerox initiated negotiations with The Rank Organisation concerning Xerox's acquisition of voting and managerial control of Rank Xerox. (CPM Tr. 2228-32).

On October 3, 1968 a meeting of The Rank Organisation Board was held in London, attended by a number of English directors of that company, as well as by Mr. Wilson and Mr. McColough. Mr. Wilson was then Chairman of the Board of Xerox and Mr. McColough was then Xerox's President and Chief Executive Officer. Messrs. Wilson and McColough also served as the only American directors on The Rank Organisation's Board.

* The deposition testimony and exhibits cited in this section of the brief are reproduced in Volume IIA of Appendix to Xerox's Brief on Appeal and Petition for Writ of Mandamus.

A Minute of this Rank Organisation Board meeting of October 3, 1968 stated that Mr. Wilson had informed the Board as follows:

A very serious problem faced Xerox Corporation, which was forced by the inexorable requirements of American Law to seek a change of form in its relationship with The Rank Organisation. (PX 637D)

The Minute reported that Mr. McColough seconded all that Mr. Wilson had said.

Mr. McColough testified that the negotiations concerning Xerox's acquisition from The Rank Organisation of voting and managerial control of Rank Xerox "extended over a rather protracted period of time, from the spring of '68 until the agreements were signed, or almost until the agreements were signed, in December of 1969 . . ." (CPM Tr. 2230). Mr. McColough described these negotiations as being "far reaching" and involving a great deal of bargaining. (CPM Tr. 2216-35).

The chief negotiator for Xerox in these negotiations was Mr. McColough. He was assisted by Mr. Wilson, other Xerox executives, and counsel.

The negotiating team for The Rank Organisation was headed by Sir John Davis, its Chairman and chief executive officer. He was assisted by other Rank Organisation executives, and by its English and American counsel. (CPM Tr. 2216-35; PX 637E).

In the drawn-out negotiations, Sir John Davis "didn't agree quickly" (CPM Tr. 2231).

Ultimately, in December 1969, the negotiations resulted in the execution of a number of agreements, which included payment of consideration to The Rank Organisation valued at \$20 million, the termination of the 1956 "Heads of Agreement" and Xerox's purchase from The

Rank Organisation of 1% of the voting stock of Rank Xerox. Xerox thus achieved its objective of securing "voting and managerial control" over Rank Xerox. Since that 1969 agreement, Xerox has owned 51% and The Rank Organisation has owned 49% of the voting stock of Rank Xerox. (CPM Tr. 2213-24, 2228-38; PX 636A-H).

Mr. McColough who, as we have noted, was also a director of The Rank Organisation, testified that he did not recall attending a meeting of The Rank Organisation Board at which approval was given to the 1969 agreements. However, he went on to volunteer that if he had been at such a meeting, he would have abstained from voting because "we [Xerox and The Rank Organisation] were in negotiations together, and you can't be judge and jury on the issue of the terms of the monetary settlement." (CPM Tr. 2267).

The first question which Mr. McColough was asked at his deposition concerning these matters, as to which Xerox asserted privilege, was to state his best and fullest recollection of everything that Mr. Wilson had stated to the Board of Directors of The Rank Organisation during the October 3, 1968 meeting. According to the Minute of that meeting, Mr. Wilson informed the Board that a "very serious problem faced Xerox Corporation, which was forced by the inexorable requirements of American law to seek a change of form in its relationship with The Rank Organisation." (CPM Tr. 2240-41).

Counsel for Xerox asserted a claim of privilege on behalf of Xerox and Rank Xerox (but not on behalf of The Rank Organisation) as to that question, and as to each of the next three questions which were addressed to communications made by Xerox officers and attorneys and by Rank Organisation officers and attorneys to each other with respect to these matters (CPM Tr. 2252-56).

The court below directed that these questions be answered and overruled the claims of privilege (PTR 17,

1a-4a; PTR 19, 27a-29a; PTR 21, 34a-35a). Likewise, the court below overruled Xerox's claims of privilege with respect to two questions addressed to Dr. Dessauer (PTR 17, 14a and 14a fn), inquiring as to the reasons why he had voted as a director of Xerox to authorize the acquisition of the 1% of Rank Xerox stock; and as to the substance of the discussions that he had with others within the Xerox organization which led to that vote (JHD Tr. 89-90).

**B. The Documents Containing Patent Information
Responsive to SCM's Document Request.**

For many years, Xerox affixed to each of its plain paper office copiers a data plate containing the statement (PX 531):*

Manufactured Under One or More U. S. Patents
Owned or Controlled by Xerox Corporation
List Supplied Upon Request

Every Xerox copier manufactured or reconditioned prior to June, 1970 bore such a data plate, and the practice was continued on a number of Xerox models until 1972 when Xerox changed its policy and began to remove the plates. (Xerox's Response dated March 24, 1974 to SCM Interrogatory 30; Affidavit of James J. Ralabate, p. 2, reproduced in Volume II B of Xerox's Appendix).

Mr. Linowitz, as general counsel and vice president in charge of patents and licensing, had "general responsibility" for Xerox's policy of placing the data plates on its equipment (SML Tr. 37-41, 50-51, 56, 71, 76-77; CPM Tr. 1667-68; JHD Tr. 11/1/74 at 46-47).

He testified clearly and unequivocally that during the time he was with Xerox it was company policy that iden-

* The exhibits and deposition transcripts referred to in this section of the brief are being filed in a binder entitled "SCM's Supplemental Volume of Exhibits".

tification by serial number of the patents used or involved in Xerox products was not deemed by Xerox to be confidential information (SML Tr. 785); that Xerox intended to supply that information to any third party requesting it (SML Tr. 768-69); and that Xerox never intended to prevent others from finding out what patent or patents were used in the manufacture of particular Xerox models (SML Tr. 769). In addition, Mr. McColough testified that he assumed that so long as the data plate was on a Xerox machine, then Xerox's policy would be in accord with the statement contained on that data plate (CPM Tr. 1670).

After testifying to his belief that Xerox had lists available of various patents covering the various types of equipment being manufactured by the company (SML Tr. 770), Mr. Linowitz summed up the non-confidentiality of that information when he testified as follows:

My understanding has always been that what the company undertook to do was at a certain point to list the specific patent numbers involved in a particular product and later to offer to make the numbers, the lists of patents available if they were not on the equipment itself or on the product itself. (SML Tr. 784)

SCM requested that Xerox produce the documents identifying and setting forth information relating to the patents used in its equipment (Item 33 of SCM's July 31, 1973 interrogatories and document requests; JHD Tr. 11/1/74, pp. 48-53). Xerox claimed the attorney-client and work product privileges with respect to all internal documents responsive to this request, and produced only a few pages of responsive documents which constituted communications with third parties, only one of which identified the patented inventions used in one model of Xerox's equipment.

The court below sustained the work product privilege with respect to two documents, after *in camera* examina-

tion, on the ground that they constituted protected work product, since they had been prepared in anticipation of litigation between Xerox and IBM (PTR 17, 7a-9a).

As to the seven responsive documents here at issue, comprising 271 pages, which were also examined *in camera*, Judge Newman held they were not protected by either privilege and he ordered them produced to SCM (PTR 17, 6a-9a; PTR 19, 19a-27a).

Xerox failed to establish that these documents (the contents of which have not yet been disclosed to SCM) represent or reveal any confidential communications from client to attorney. Rather, as described by Judge Newman, they are memoranda prepared by attorneys in Xerox's Patent Department containing much public information, a brief description of the patents, information regarding patent applicability, and lists of patents and their commercial uses according to Xerox's Patent Department (PTR 17, 6a-7a, 8a). On these facts, Judge Newman concluded that the public information was not protected, that the technical information was probably discoverable as facts within the knowledge of Xerox, and that legal departments—here the Xerox patent department—were not citadels in which public, business or technical information may be placed to defeat discovery and thereby insure confidentiality (PTR 17, 7a-8a; PTR 19, 19a-27a). The court further concluded that these documents were not protected as work product because they were not prepared in connection with any identifiable impending or existing litigation (PTR 17, 7a-8a).

ARGUMENT

POINT I

The petition should be dismissed because the two orders are not proper subjects for mandamus review.

The prerequisites for appellate review by the extraordinary writ of mandamus have been extensively articulated by this Court in *American Express Warehousing, Ltd. v. Transamerica Insurance Co.*, 280 F.2d 277, 282-284 (2d Cir. 1967) (involving discovery disclosure of information allegedly protected by the work product privilege), in *International Business Machines v. United States*, 480 F.2d 293, 298 (2d Cir. 1973) (*en banc*), cert. denied, 416 U.S. 979 (1974) (involving discovery disclosure of information allegedly protected by the attorney-client privilege), and in the various other authorities referred to in those decisions.

Because of this Court's familiarity with the principles expressed in those authorities, lengthy elaboration concerning them here is not necessary. It suffices to point out that mandamus lies only where there is a usurpation of power, a clear abuse of discretion, or a determination of an issue of law of first impression of great significance. Mandamus does not lie where the determination involves the district court's appraisal of facts and exercise of its discretion. Mandamus is not a substitute for appeal. *Bankers Life & Casualty Co. v. Holland*, 346 U.S. 379, 382-83 (1953); *International Business Machines v. United States*, 480 F.2d at 298.

Since none of the prerequisites for mandamus review have been met, and since the most that Xerox can claim is that Judge Newman committed error (which we show below he did not), the petition for a writ of mandamus should be dismissed.

This Court has previously determined that the disclosure of claimed privileged information does not involve a "dire consequence" supporting mandamus review, just as it does not support a finding of "finality" necessary for appeal under 28 U.S.C. § 1291.* Thus, Xerox's claim that mandamus review is needed to avoid such dire consequences here has been rejected and is without basis.

Clearly, there is nothing in the *disclosure* which does irreparable harm to Xerox.

In this and other litigations, Xerox has produced documents and has allowed deposition testimony concerning subjects as to which it *later* made claims of privilege. In none of those circumstances has there been a claim of irreparable injury; it is difficult to perceive the basis for such a claim here in response to Judge Newman's rulings.

Likewise, Xerox has made other disclosures in this action without suffering or claiming irreparable injury. Two other portions of PTR 17 (16a, 17a) involved determination of assertions by SCM that Xerox had waived claims of privilege with respect to certain subjects by having previously produced certain documents to SCM or others. Judge Newman rejected those claims by SCM, upholding Xerox's claim that the earlier production had been inadvertent and that therefore there was no waiver. Xerox did not suffer, nor has it ever claimed, any "dire consequences" by reason of the disclosure of the information contained in those documents.

Moreover, only last week Xerox produced to SCM a substantial number of documents and deposition tran-

* In addition to the *American Express Warehouse and International Business Machines* cases cited above, see also *Shattuck (IBM) v. Hoegl (Xerox)*, 523 F.2d 509 (2d Cir. 1975); *In re Hughes Tool Co.*, No. 27993 (2d Cir. Jan. 23, 1963) (summarily dismissing appeal from a district court order requiring production over a claim of attorney-client privilege).

scripts which had been produced or generated in another action against Xerox. Among these materials are certain documents as to which Xerox claims inadvertent production, and transcripts of deposition testimony which was given under stipulations reserving Xerox's right to later assert claims of attorney-client or work product privilege at trial. Xerox made this production to SCM at the direction of Judge Newman, who observed:

Whether disclosure pursuant to this order [PTR 20] will make any material admissible at trial is a matter to be decided at trial. (39a)

The pertinent point here is that the disclosure of this additional mass of information as to which Xerox has a continuing and unresolved claim of privilege, has not resulted in any irreparable injury to Xerox. Xerox has made no such contention; it has sought no appeal or mandamus; it has simply produced the documents and transcripts.

Xerox has a perfectly adequate appellate remedy with respect to any alleged erroneous admission of information it claims was subject to the attorney-client or work product privilege. This Court has jurisdiction to review those rulings on appeal from final judgment and need not invoke mandamus to protect such jurisdiction (28 U.S.C. § 1651).

Xerox also claims that mandamus review is proper because the principles expressed in Judge Newman's pre-trial rulings will provide "guidance" for the determination of whether and to what extent the thousands of documents which Xerox has withheld from production on claims of privilege have properly been withheld. This does not, however, transform the issues Xerox seeks to present to this Court into issues of extraordinary significance. The determination of whether mandamus review is available is no different whether six deposition questions and seven documents are involved or whether hundreds of deposition questions and thousands of documents are involved. On

Xerox's principle, the more it claims the privilege the more right it has to interlocutory review through the vehicle of the petition for writ of mandamus. Under this approach, every "big case" where extensive claims of privilege have been asserted would give rise to mandamus proceedings. That simply is not the law. See *American Express Warehousing, Ltd. v. Transamerica Insurance Co.*, 380 F.2d at 283; *International Business Machines Corp. v. United States, supra*, where 1200 documents were involved.

Xerox only emphasizes the prematurity of any interlocutory appellate or mandamus review by calling upon this Court to bear the burden—which Judge Newman has already borne—of reviewing the many pages of documents involved here, and making factual determinations afresh—when at this juncture, it cannot be determined whether any, some or all of the documents will be offered at trial. Xerox's further contention that it fears that other courts in which it is a litigant will follow Judge Newman's decisions is likewise not a ground for mandamus review. Since a district judge's decisions are not binding precedent on other district judges, they are free to make their own determinations with respect to such issues as are raised.

Furthermore, invocation of mandamus review powers concerning Judge Newman's decisions directing and denying disclosure would have the effect of unnecessarily delaying the preparation for and conduct of the trial of this action. As Judge Newman stated and held in PTR 21 in the course of denying certification of an interlocutory appeal under 28 U.S.C. § 1292(b):

This litigation is in its third year, and a time-table for trial preparation and trial will shortly be issued. Interlocutory review at this time would cause a substantial delay which I do not believe is warranted.
(35a)

Xerox's petition for a writ of mandamus is no occasion for relaxing the salutary rule against piecemeal interlocutory review. Therefore it should be dismissed. Such dismissal will also aid in expediting the trial on the merits.

POINT II

The issues involved were correctly decided.

Ultimately, Judge Newman's two orders rest on his determinations that as a matter of fact and law, Xerox failed to bear its burden of demonstrating the prerequisites for the assertion of privilege.

Judge Newman's able opinions require no additional expression of principle save perhaps that expressed in the recent decision by the Supreme Court in *United States v. Nixon*, 418 U.S. 683, 709-710 (1974). This decision reaffirmed the general principle that, because the common law privileges against disclosure (including the attorney-client privilege) are exceptions "to the demand for every man's evidence", such privileges should not be "lightly created nor expansively construed, for that is in derogation of the search for truth."*

* These principles have been often expressed in cases dealing specifically with attorney-client privilege. See, e.g., *In re Horowitz*, 482 F.2d 72, 80-82 (2d Cir. 1973), cert. denied, 414 U.S. 867 (1973); *Comercio E Industria Continental S.A. v. Dresser Industries, Inc.*, 19 F.R.D. 513, 514 (S.D.N.Y. 1956) (Kaufman, J.); *Radio Corporation of America v. Rawland Corp.*, 18 F.R.D. 440, 443 (N.D. Ill. 1955); *United States v. United Shoe Machinery Corp.*, 89 F. Supp. 357, 358 (D. Mass. 1950) (Wyzanski, J.).

As Professor Fleming James, Jr. put it, when acting in the capacity of Special Master: "[T]he privilege suppresses truth and is therefore to be strictly construed and limited to those situations where it is shown to be needed in order to serve the policy for which it exists." *Occidental Life Ins. Co. v. Frank*, Civil Action No. 8361, Report at 9 (D. Conn. 1961)

Based on Judge Newman's factual findings, it seems clear beyond doubt that the contents of the seven documents he ordered produced after *in camera* examination are not subject to the attorney-client privilege. While Xerox attempts to obscure it, Judge Newman made certain findings which absolutely require denial of the privilege claims. He found as a matter of fact that it did not appear, and Xerox had failed to demonstrate, that the documents were communicated to the client; and in any event, that they were not communications from attorneys who applied rules of law to confidential communications received from the client. The documents contained much public information. They contained technical information. They contained lists of patents and the commercial uses of the patented inventions described in them. For these and the other reasons expressed by Judge Newman, the seven documents are not subject to a claim of attorney-client privilege, by reference to the principles concerning the attorney-client privilege expressed in *Hickman v. Taylor*, 329 U.S. 495, 508 (1946), and various other authorities which he cited.

Nor, as Judge Newman correctly held in accordance with the principles relating to work-product expressed in *Hickman v. Taylor* and its progeny, are these seven memoranda subject to the work product privilege because, as Judge Newman determined factually, they were not prepared in connection with anticipated or pending litigation.

In connection with the related order directing Xerox to answer SCM's Interrogatory 62(a) (as to which Xerox sought rehearing but neither appeal nor mandamus), Judge Newman made findings which are also highly pertinent here. He concluded that Xerox policy in affixing the data plate, and the reinforcing testimony of Mr. Linowitz, establish that the information concerning which of Xerox's patented inventions were used in its equipment was not intended by Xerox to be kept confidential during the period that policy was in effect. Applying the undisputed principle

that the attorney-client privilege is applicable only to communications intended to be kept confidential, Judge Newman held that this information was not subject to that privilege (PTR 17, 9a-10a; PTR 19, 29a-32a). Such information included in the seven documents which Xerox has withheld are likewise not privileged because of the lack of the requisite confidentiality.

Throughout this litigation, Xerox has attempted to stave off disclosure of the information contained in these documents by attempting to obscure the factual and legal issues involved. Its continuing effort to do so here is nothing more than a desperate attempt to suppress disclosure of highly probative evidence which it doubtless considers will be damaging to it on the merits in this case.

Xerox further attempts to obscure the fact that Judge Newman in applying the principles of law he articulated, made highly discrete judgments based on the particular facts involved, (1) in sustaining the attorney-client or work product privilege with respect to some of the patent matters involved; and (2) in rejecting the claims of privilege as to others.

Further examples of the careful and discrete judgments of the court below are shown in its rulings concerning the Xerox-Rank Organisation communications and the Xerox-Battelle communications. With respect to the Xerox-Battelle communications, the court largely sustained Xerox's claims of privilege after making factual findings which justified application of the "common interest" exception to the principle of waiver resulting from the disclosure of otherwise privileged communications to third parties.

Xerox's contention that Judge Newman committed egregious error in finding that Xerox had failed to demonstrate sufficient basis for its claim of "common interest" concerning the communications between Xerox and the Rank Organisation during the negotiations leading to the Xerox

takeover of control of Rank Xerox, is again nothing more than an attempt to suppress the truth concerning the circumstances of that key issue in this case.

There can be no doubt about the correctness of Judge Newman's ruling concerning this matter on the facts presented. The testimony and other evidence make it indisputably clear, as Judge Newman held (2a-3a, 29a, 34a-35a), that Xerox and The Rank Organisation engaged in arms-length negotiations and hard bargaining involving differing (not shared) interests which ultimately led to the agreement by which Xerox obtained voting and managerial control of Rank Xerox.

In these circumstances, Xerox's use of disclosure to the Rank Organisation of the advice it had received from its attorneys, as a means of furthering the achievement of its objective, negates the claim of any common interest between the two negotiating parties which supports the preservation of any privilege (see *In re Horowitz*, 482 F.2d at 81). Even assuming that review of such factual findings is the proper grist for the mandamus mill, there is, at the very least, more than ample factual support for Judge Newman's finding—and resultant ruling.

The decisions rendered by Judge Newman about which Xerox now complains were eminently correct and they should not be disturbed.

CONCLUSION

SCM's motion to dismiss the appeal should be granted. Xerox's motion for permission to file the "Affidavit of Rank Counsel" should be denied. Xerox's petition for a writ of mandamus should be dismissed, or, in any event, mandamus should be denied.

April 8, 1976.

Respectfully submitted,

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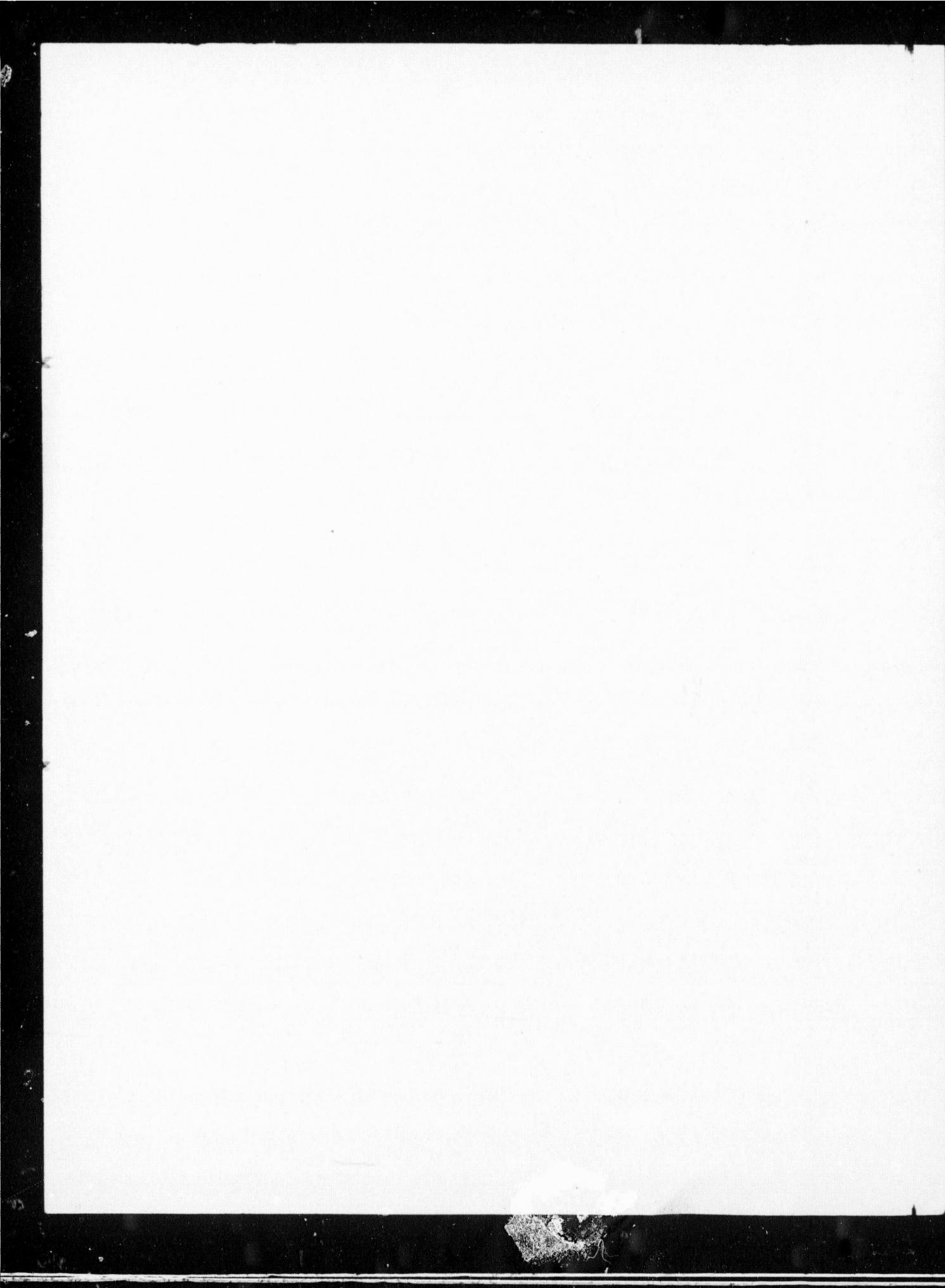
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CERTIFICATE OF SERVICE

I certify that copies of "SCM'S REPLY ON ITS MOTION TO DISMISS THE APPEAL; SCM'S RESPONSE TO XEROX'S MOTIONS; SCM'S ANSWER TO THE PETITION FOR A WRIT OF MANDAMUS; AND SCM'S BRIEF IN OPPOSITION TO THE PETITION" and "APPENDIX OF SCM CORPORATION" and "SCM'S SUPPLEMENTAL VOLUME OF EXHIBITS" have this day been served, by first-class mail, postage prepaid, on:

KAYE, SCHOLER, FIERMAN, HAYS
& HANDLER
425 Park Avenue
New York, New York 10022
Attorneys for Xerox Corporation

and

THE HONORABLE JON O. NEWMAN
United States District Judge
United States District Court
Post Office Building
141 Church Street
New Haven, Connecticut 06507
Respondent

April 8, 1976

Richard M. Zellb

Sir:

Please take notice that the within is a true copy of this day duly entered and filed herein in the office of the Clerk of

of New York

Dated, New York, 19

Yours, etc.,

PROSKAUER ROSE GOETZ & MENDELSON

Attorneys for

300 PARK AVENUE
NEW YORK, N. Y. 10022

To

Attorneys for

Sir:

Please take notice that an order of which the within is a true copy will be presented for settlement and signature herein to Mr. Justice

at of
this Court at
in the Borough of

City of New York,

on the day of , 19
at o'clock in the noon.
Dated, New York, 19

Yours, etc.,

PROSKAUER ROSE GOETZ & MENDELSON

Attorneys for

300 PARK AVENUE
NEW YORK, N. Y. 10022

To

Attorneys for

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

XEROX CORPORATION,
Defendant-Appellant,
-against-
SCM CORPORATION,
Plaintiff-Appellee.

XEROX CORPORATION,
Petitioner,
-against-
HON. JON O. NEWMAN, et al.
Respondents.

CERTIFICATE OF SERVICE

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All communications should be referred
to Mr.

Due service of a copy of the within
is hereby admitted.

Dated, New York

To

Attorneys for